

A BILL PUBLICATION

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

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SEPTEMBER 1985

FACTS SURVEY

Corporate Gift-Giving



PLUS:

- TIE-IN PROMOTIONS
- HIGH-TECH WORKOUTS
- HONG KONG

Destination: New England



September 1985

New England and its largest city, Boston, long have been meccas for tourists but have been overlooked by incentive travel planners. IM looks at why more companies may be sending their top performers to this most historic of American regions. See page 96.



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Behind the spirit of saying "thanks" lies a practical desire to build a "please" into the message business gifts carry.

Corporate Gift-Giving

The perennial "thank-you" of business gifts continues to increase in favor as a marketer's good-will tool, but there are growing indications that an important "please" is being built into the message gifts carry.

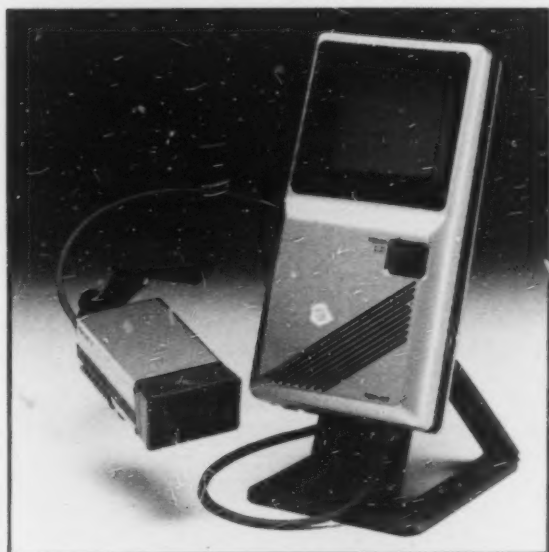
Incentive Marketing surveys find a decrease in the tit-for-tat, "you owe me" approach yet suggest an increase in the concept

that sales dollars spent on gifts should return something more than an after-the-fact expression of gratitude.

Whatever the spirit behind it, business gift-giving last year rose 8.5 percent to \$1.12 billion, with recent survey results suggesting further increases for 1985.

The list of industry leaders in business gift-giving differs some-

what from the top 10 users of all incentive types, although seven of the leaders are common to both lists. The two automotive groups are the biggest givers, with the third-ranked incentive user, auto parts, accessories and tires, leading gift buyers with estimated spending last year of more than \$98 million. Makers of automobiles and trucks, who rank fifth



WatchCam Security System
Sony Corporation of America

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Men's Quartz Dress Watch
Seiko Time Corporation

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**Slate Plaques and
Brass Coasters**
Balfour

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information, circle
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Action Card.*



**Classic Executive
Gift Set**
Pentel of America
Limited

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information, circle
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Action Card.*



**Early survey results
show a 5.3 percent
gain in gift-giving, a
somewhat lower rate
of growth than in
previous years.**

9. Building materials (7). . \$33 million;

10. Publishers, broadcasters (11). . \$30 million.

In most types of incentive usage, the top 10 industries account for a majority of the spending—up to two-thirds of the total in the case of incentive travel. Gift use, however, is a bit more evenly distributed: These top ten industries last year spent only 45 percent of the total \$1.1 billion.

This year's gift expenditures, based on an early special survey of gift users, may increase a bit less than in recent years. The past three years' budgets have risen at respective rates of 9 percent, 8 percent and 8.5 percent. The users in the 1985 study show increases of 5.3 percent in their gift practice. This would still represent some expansion, given the reduced inflation rate.

The May-June survey generated 256 complete reports. Of these, 204 executives gave estimates of their gift spending for both 1984 and 1985.

About 61 percent of these users indicated they are increasing gift purchases this year, while only 7 percent are decreasing them; the remaining 32 percent showed unchanged expenditures. Despite the greater number of purchases, increases were generally small—hence the relatively low projected advance of 5.3 percent.

The average company in this survey indicated spending plans of \$14,989 for business gifts this

overall, are in second place with over \$67 million in gift purchases. Toiletries and cosmetics come close behind, at \$61 million—ranked third as gift-givers, although the second-largest incentive user.

The industry holding the same position—fourth—in both total incentive usage and business gift expenditure is the insurance category, with a 1984 gift outlay of

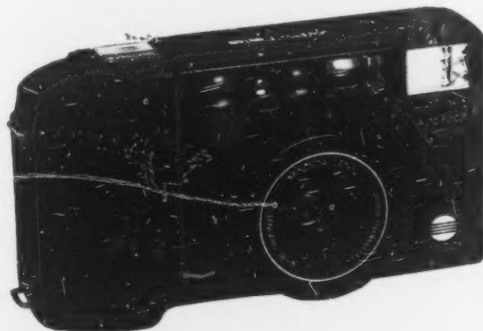
more than \$53 million. The rest of the industries rank as follows, with their overall incentive standing shown in parentheses:

5. Banks, savings and loan (14). . \$41 million;
6. Electric appliances (18). . \$41 million;
7. Electronics, radio, TV (6). . \$40 million;
8. Food products (1). . \$35 million;

Christmas leads other occasions as a time for gifts; company anniversaries, birthdays and other holidays rank much lower

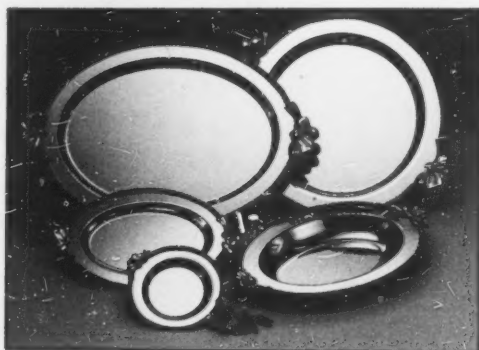
**AF-Tele 35mm
Camera**
Minolta Corporation

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information, circle
No. 1 on Reader
Action Card.**



Holloware
Oneida Silversmiths

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information, circle
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Action Card.**



year, although the median budget was only \$5,000.

As usual, Christmas is the favorite occasion for gift-giving—but with a somewhat reduced edge of 68 percent, compared with 70 percent who played Santa Claus a year ago and 74 percent in 1983. Company anniversaries are a distant second choice, listed by 15 percent. Other gift occasions are birthdays, 8 percent; Thanksgiving and the New Year holiday, 5 percent each, and other occasions, 43 percent.

The choices total well over 100 percent because many users present gifts at more than one time of year.

There is also diversity in who gets gifts. Major customers lead as targets by 61 percent against 45 percent for employees, the second choice. Other recipients are all or most customers, 22 percent; prospects, 21 percent; stockholders, 3 percent, and others, 9 percent. Only in the case of prospects has there been any major change from previous survey findings: Giving to prospects increased to 21 percent from only 14 percent a year ago.

The "other" listings include some varied choices. Gift recipients include specially selected customers, boards of directors, manufacturers' reps, distributors,

plant visitors and consultants. The timing of gifts ranges even more widely, including such occasions as sales calls, completion of a sale, special promotion periods, annual conventions, Easter, Fourth of July, trade shows and "when necessary or appropriate."

The necessary or appropriate time for a gift is, of course, when it will do some good in expressing appreciation—and maybe more. The business gift is the only part of the incentive field that, by definition, is not a true incentive—not offered in advance on consideration of any performance. Its basic nature must be "no strings attached." Yet, there is an increasing sense among many users that gifts have more purpose. The IM surveys reveal this in the executives' comments: There has been a decline in the numbers who say they give "because it's expected" or "because it makes me feel good." Both are valid reasons to some business people—but others show more purpose in their giving.

There is certainly nothing wrong with saying "thank you," and that is still the favorite reason for business gifts. Michael Waskover, president of Automatic Mail Service, Long Island City, N.Y., gives about 20 relatively high-cost gifts to major customers at Christmas, and said his sole purpose is "just good will to say thank you." Similarly, Van A. Olkon of Animated Display Creators, Miami, gives 25 moderately priced Christmas gifts to customers and employees "for appreciation—not interested in monetary results." Modest gifts on various occasions express "appreciation for support during the course of the year" to about 100 customers of United Appliance Distributors Inc., New Britain, Conn. There is "never enough thanks in this business," said Marianne Colacray. "So, this is a good way to thank people."

Another term some use for the



Customers, employees, sales prospects and shareholders are the main gift getters.

same basic idea is "public relations." That's what Ronald R. Massung called his 60 or 80 low-cost Christmas gifts to most customers of Massung Cabinet Company in White Oak, Penn.—"P.R., to be remembered!" And Daun Ford of KOMU-TV, Columbia, Mo., added emphasis: The station's 100-plus small gifts to customers and prospects are "good P.R., good P.R."

For many, it is only a short step beyond public relations to advertising, and the business gift shows its kinship with the advertising specialty. "Keep the name in front of the customer" is the way many express it—including Robert E. Moynihan of Playmates, a New York toy wholesaler, who gives about 50 Christmas gifts to major customers each year. They cost \$25 or more and are designed to perform a reminder service.

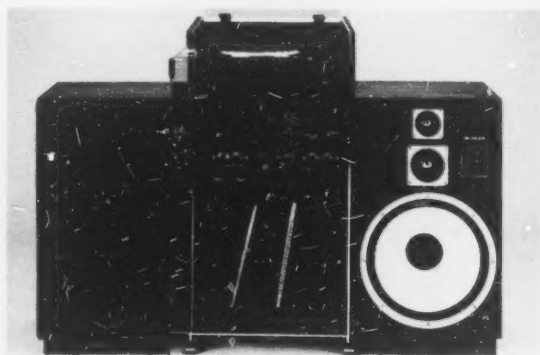
The narrow line between gifts and ad specialties is even more evident in the practice of Geino F. Suriel, president of Vitaminas Naturales Corporation, Brooklyn,

N.Y., who gives 17,000 low-cost items to most customers: "Most of my business gifts are used as promotional items bearing my company's name and logo; it increases sales." Higher-priced desk items are the choice of Bill Wooten, vice president of Commercial Distribution Center Inc., Independence, Mo. The gift "keeps our company before the individuals that have some say in where product is warehoused."

Friendship is a powerful force, and that is where some put the emphasis in their gift practices. G. Camardo, president of Alger Machine Company, Rochester, N.Y., a wholesaler, presents about 50 gifts at Christmas and New Year's, favoring personal and food items. He noted that it "makes friends out of strangers—helps to show it's a two-way street, and we have to work together to serve the customer."

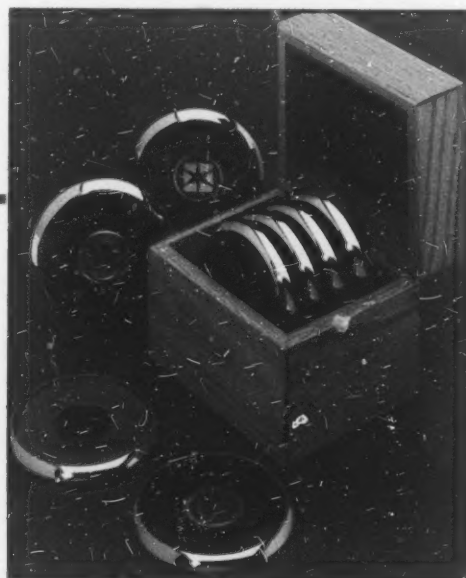
"We send what we believe to be a thoughtful gift at a modest cost," reported Malvin Marks, president of Irving Marks Nite-Wear, New York. "We hope it shows a friendly gesture without trying to obligate a recipient to favor us with business." Avoiding obligation also goes with friendship for Martin Walshin Inc., heating distributor in Hastings-on-Hudson, N.Y. Said Iris Walshin: "They are a show of appreciation for past business—we maintain a friendship with our customers. The benefits are to remain friends. I do not believe for one minute a gift will buy me anything. Service and good relations and competitive pricing sell product, never a gift."

A little boost to sales effort is not to be rejected, however, in the eyes of some users. Roel A. Rodri-



Audio Component System 8531
Fisher Corporation

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No. 11 on Reader Action Card.***



Leather Center Coaster Weights
BTS Solid Brass Specialties

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Survey respondents view gift-giving as an important form of public relations.



Century Calendar Clock
Bulova Watch Company

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No. 3 on Reader Action Card.**

guez, area manager of Vita Craft, Edinburg, Tex., uses several hundred gifts up to \$25 in cost for customers, prospects and employees, and hopes they will help to "increase sales presentations and volume." Gifts of similar value, given to customers by salespeople, are used by W. F. O'Brien Jr., Drew Ameroid division, Boonton, N.J. The main reason, he said, is "to keep company image in the eyes of customers at home offices—general inducement to buy and properly use our products at end-use levels."

Gifts are also communicators for Albert Stridsberg, advertising consultant, Poughkeepsie, N.Y. In addition to expressing general good will, he said, "basically, my gifts are intended to communicate or illustrate an idea or concept. The recipient keeps the gift, but he communicates the idea to other people by word of mouth." The

gifts are of modest cost, such items as books and gourmet foods, which he presents on visits to customers and prospects.

Despite a growing tendency to attach a clearer rationale to gifts by some executives, the old favorite of the thank-you is still the overriding attitude, and many ask no more purpose than that. And there continue to be the few with a negative motivation behind their giving. P. D. Aaron, president of Connector Concepts, Port Washington, N.Y., a wholesaler, gave one-word answers to these questions: Why do you give business gifts? "Fear." And, what benefits do you believe you can derive? "None."

Users responding to this survey spend a bit more for each gift they give, don't purchase quite so many of them and buy a little earlier for Christmas than IM readers surveyed last year.

While the average gift price among 452 mentioned by respondents was \$39.30, quite a bit lower

than the 1984 survey average of almost \$50, the median of their expenditures is \$18, compared with \$16 for last year's group. And this is reflected in the most-common price mentioned; a year ago, it was \$10, with \$25 somewhat behind in mentions. In this survey, \$25 is distinctly the most-frequent unit price, with \$10 running behind. And the incidence of prices over \$25—thus incurring some Federal tax liability for a portion of the gift expenditure—is an all-time high of 32 percent. In 1984, 26 percent of prices mentioned exceeded the \$25 Internal Revenue Service ceiling.

Last year the average gift list was a very high 732, inflated by some very large users, but the median was 120 recipients. This year's average number is down to 340, and the median is also somewhat lower at 100.

With Christmas the leading time for gifts, the heaviest buying time naturally falls a few months earlier. For several years, October has been the strongest month for



**Bushnell
Ambassador Set**
Bausch & Lomb

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CORPORATE GIFTS

Giving gifts "makes friends out of strangers—helps to show it's a two-way street, and we have to work together to serve the customer."

**Autofocus
Movie Camera**
RCA Sales Corporation

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information, circle
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Action Card.*



**Nettleton Hand-
Sewn Penny Mocs**
McDonough
Incentives

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Action Card.*



gift purchases, with September second. But the executives in this survey group have turned that around, with 32 percent saying they buy in September compared with 22 percent for October. November is third at a 15 percent mention; August, 14 percent, and December, only 9 percent. Away from the Christmas season, the

greatest activity is in March, when 13 percent order gifts. In June and July, 10 percent buy each month, and the rest of the year is fairly quiet, ranging from 6 percent to 9 percent each month.

These executives, reporting in May and June, said in 32 percent of cases that they had spent more for each gift in their latest pur-

chases, while 8 percent spent less. For this year, they expect to spend more in 30 percent of cases, while only 5 percent think they can cut back. In each case, though, the great majority considers it possible to hold the line.

In fact, 27 percent of these companies have reduced gift spending in some manner, either by cutting the number of gifts purchased or by spending less for each one. About 67 percent said they reduced the number of gifts, and 5 percent, the cost per gift; clearly, with the excess over 100 percent, some did both.

This year, 34 percent plan to restore sums cut from the budget in 1984.

We asked executives several questions about their preferences in the selection of gifts, sources, manner of presentation and the like. Here are their responses, some of which add up to more than 100 percent because of multiple answers:

Preferred type of gift item

Personal merchandise	52%
Desk items	51%
Home or decorative items	19%
Food	19%
Liquor	14%
Choice of several items	8%
Donor's own product	4%

Sources of business gifts

Direct from manufacturer	46%
Premium representative	34%
Ad specialty counselor	32%
Wholesaler	18%
Jobber/incentive house/ stamp company	17%
Retail store	14%
Mail-order firm	8%

Are gifts personalized?

Yes	22%
No	74%

How are gifts delivered?

Salespeople	44%
Executive	36%
Parcel delivery service	29%
Mail	25%
Messenger	7%



Where are gifts presented?

Recipient's place of business	63%
Recipient's home	33%
Donor's place of business	29%

These fairly large givers of gifts are, as usual in the survey groups, very small receivers. They reported they personally received an average of seven—median only four—gifts in the past year. A few even said their own companies have policies prohibiting the acceptance of gifts.

The survey questionnaire asked for comments on gift-giving restrictions. Only 60 percent said they encounter restrictions at companies where they might present gifts, down from 74 percent who had faced the problem a year ago. However, the average percentage of companies in which respondents found obstacles to gift-giving rose a bit, 30 percent compared with 27 percent in last year's survey. About 44 percent said that restrictions increased in the past two years—also higher than last year's report, 32 percent.

That type of company policy obviously bears on an ethical

judgment about the propriety of business gifts, and we asked these executives two questions that follow naturally: "Do you believe your gifts to business friends have ever improperly influenced a customer's buying decisions?" The answer was "yes" from 5 percent, with 88 percent saying "no" and the rest not answering. And we asked, "Do you believe gifts you received have ever been intended to influence your decisions improperly?" Here 12 percent of them answered

yes; 82 percent said "no."

The concept that a \$25 gift or a \$50 gift can sway the business judgment of any executive is one that is as difficult to understand as it is to demonstrate. And even as gift-givers may perceive a more concrete function of enhancing relationships, they also know that the basic "thank you" is still the heart of the practice. ■

TOP CHOICES. . .

Listed by 3 percent or more

Clock	15%	Food	5%
Pen	11%	Watch	5%
Diary	8%	Calculator	4%
Pen and pencil set	8%	Cheese	4%
Sporting goods	7%	Gift certificate	4%
Liquor	7%	Jewelry	4%
Clothing	6%	Fruit	3%
Desk accessories	6%	Hat	3%
Attaché case	5%	Mugs	3%
Calendar	5%	Radio	3%
		Wine	3%
		Key case	3%
		TV	3%

POPULAR CHOICES. . .

Listed by 2 percent or more

Book	Handbag
Candy	Jams/jellies
Crystal	Knife set
Dinnerware	Plaque
Electric appliance	Ruler
Electronic A/V equipment	Telephone
Flashlight	Tools
Flowers	Trip
Ham	

1 percent choices

Barbecue	Paperweight
Beach towel	Perfume
Camera	Pewter
Chair	Placemats
Coaster set	Plant
Computer	Plate
Glassware	Road atlas
Ice bucket	Sports tickets
Luggage	Steaks
Magazine	Tire gauge
Nuts	Trays
Office equipment	Turkey
	Umbrella



Glazed Porcelain Music Boxes
Roman Inc.

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NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

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